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ABSTRACT

The Veterans' Employment and Training Service (VETS) administers programs and activities designed to help veterans obtain employment and training assistance. By establishing one-stop centers for employment services, the Workforce Investment Act (WIA) affects how VETS serves veterans. VETS has made some progress and improvements with regard to its current strategic and performance plans. It has revised its mission statement to better focus on the outcomes associated with accomplishing its mission. The plans no longer contain much extraneous information found in past plans. While VETS has improved the form and content of its plans, VETS has not established a consistent set of priorities as to which veterans it intends to target for employment assistance. It has not developed sufficient strategies to address the major and complex challenges it faces, such as how best to incorporate its programs into the workforce development system WIA established. VETS appears to be taking a reactive rather than proactive approach. While VETS recognizes that the establishment of one-stop centers will increase the number of its service delivery points, it has not developed any plans to address how it will provide assistance at all centers. The quality of some VETS' program management data is questionable, and it is unlikely VETS can accurately assess its performance nationally and know whether it improves from year to year. (YLB)

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VETERANS' EMPLOYMENT AND TRAINING SERVICE

Better Planning Needed to Address Future Needs

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Veterans' Employment and Training Service: Better Planning Needed to Address Future Needs

Mr. Chairman and Members of the Subcommittee:

Thank you for inviting me here today to discuss the Veterans' Employment and Training Service (VETS) and its planning activities under the Government Performance and Results Act of 1993 (GPRA).

The Congress has made it clear that alleviating unemployment and underemployment among veterans is a national responsibility. Although the Department of Veterans Affairs is responsible for most of the nation's services for veterans, the Veterans' Employment and Training Service (VETS), under the Department of Labor, administers programs and activities designed to help veterans obtain employment and training assistance. Recently, policymakers have focused increased attention on VETS and its programs. For example, in January 1999, the Congressional Commission on Servicemembers and Veterans Transition Assistance issued a report that raised serious concerns about the performance and effectiveness of VETS' programs.[1] Among the Commission's recommendations was that the Congress establish effective operational outcome measures for VETS. The Congress has also been interested in addressing the employment needs of the American workforce as a whole, including veterans. In 1998, the Congress passed the Workforce Investment Act (WIA) to begin unifying a fragmented employment and training system—creating a new, comprehensive workforce investment system. At its core, WIA focuses on integrating and streamlining services by requiring most employment and training services to be provided through a single system, called the One-Stop Center System. By establishing one-stop centers for employment services, WIA will affect how VETS will serve veterans. More recently, legislation was introduced in the 106th Congress—H.R. 4765, the 21st Century Veterans Employment and Training Act—intended to improve employment and training services provided to veterans.

My comments today will focus on (1) our observations on VETS' strategic plan for fiscal years 2000 through 2005 and its fiscal year 2001 performance plan, (2) the adequacy of VETS' plans to address, among other things, how it will operate in the one-stop center environment, and (3) issues related to the quality of VETS' performance data. My testimony is based on our review of VETS' most current strategic plan (revised as of

[1] The Commission, established under the Veterans' Benefits Improvement Act of 1996, was directed to review programs that provide benefits and services to veterans and servicemembers making the transition to civilian life and to make recommendations to the Congress for the improvement of such programs. *Report of the Congressional Commission on Servicemembers and Veterans Transition Assistance* (Arlington, Va.: Jan. 14, 1999).

July 2000) and VETS' fiscal year 2001 annual performance plan, discussions with VETS officials about those plans and its strategic planning efforts, our review of VETS' fiscal year 1999-2004 strategic plan and its fiscal year 2000 annual performance plan,[2] and our comprehensive 1997 report on VETS' grant programs.[3]

In summary, VETS has made some progress and improvements with regard to its current strategic and performance plans. For example, VETS has revised its mission statement to better focus on the outcomes associated with accomplishing its mission—namely, to minimize unemployment and underemployment among veterans. The plans no longer contain much of the extraneous information found in past plans. However, while VETS has improved the form and, to some degree, the content of its plans, VETS is still not adequately describing the direction it intends to take. For example, VETS has not established a consistent set of priorities in terms of which veterans it intends to target for employment assistance. Additionally, VETS has not developed sufficient strategies to address the major and complex challenges it faces, such as how best to incorporate its programs into the new workforce development system established by WIA. In fact, VETS appears to be taking a reactive rather than a proactive approach wherein it could help shape how its programs will help veterans in the future. For example, while VETS recognizes that the establishment of one-stop centers will increase the number of its service delivery points, it has not developed any plans to address how it will provide assistance at all centers. Finally, the quality of some of VETS' program management data is questionable and, therefore, it is unlikely VETS can accurately assess its performance nationally and know whether it is improving from year to year.

Background

VETS administers national programs intended to ensure that veterans receive priority in employment and training opportunities. VETS assists veterans, reservists, and National Guard members in securing employment and protecting their employment rights and benefits. The key elements of VETS' services include enforcement of veterans' preference and reemployment rights, employment and training assistance, public information services, interagency liaison, and training for those who assist

[2] *Veterans' Employment and Training Service: Strategic and Performance Plans Lack Vision and Clarity* (GAO/T-HEHS-99-177, July 29, 1999)

[3] *Veterans' Employment and Training: Services Provided by Labor Department Programs* (GAO/HEHS-98-7, Oct. 17, 1997)

veterans in finding employment. VETS' programs are among those federal programs whose services must be provided through one-stop centers.

VETS Programs

VETS carries out its responsibilities through a nationwide network that includes representation in each of Labor's 10 regions and staff in each state. The VETS staff at the state level monitors the operation of VETS' two primary programs that provide employment and training assistance to veterans: the Disabled Veteran's Outreach Program (DVOP) specialists and the Local Veterans' Employment Representatives (LVER). DVOP and LVER staff, whose positions are federally funded, are part of states' employment service systems and provide direct employment services to eligible veterans. States' employment service systems were established by the Wagner-Peyser Act of 1933. Under the act, funds are allocated to each state to plan and administer a labor exchange program that meets the needs of the states' employers and job seekers. Labor's Employment and Training Administration (ETA) provides general direction, funding, and oversight of states' employment service systems. The total fiscal year 1999 appropriation for VETS was about $183 million, including $80 million for DVOP specialists and $77 million for LVER staff. These funds paid for 1,413 DVOP positions and 1,309 LVER positions. The appropriation also included about $24 million for administrative costs and $2 million for the National Veterans' Training Institute, which trains DVOP and LVER staff, among others.

LVERs were first authorized under the original GI bill (the Servicemen's Readjustment Act of 1944); DVOP specialists were established by executive order in 1977 and later authorized by the Veterans' Rehabilitation and Education Amendments of 1980. The duties of DVOP and LVER staff for serving veterans, as specified by law, include

- locating veterans;
- developing jobs for veterans;
- networking in the community for employment and training programs;
- providing labor exchange services to veterans, that is, bringing together jobseekers and employers with jobs;
- making referrals to support services; and
- providing case management.

The DVOP and LVER programs give priority to the needs of disabled veterans and veterans who served during the Vietnam era (generally defined as August 5, 1964, to May 7, 1975). States are expected to give priority to veterans over nonveterans for services in their state employment service systems. Generally, this means that local employment offices are to offer or provide all services to veterans before offering or providing those services to nonveterans. To monitor the programs, VETS has established, and used for several years, performance standards to determine state compliance with requirements to give employment services to veterans. These standards of performance evaluate states in five service categories: (1) veterans placed in or obtaining employment;[4] (2) Vietnam-era veterans and special disabled veterans[5] placed in jobs on the Federal Contractor Job Listing;[6] (3) veterans counseled; (4) veterans placed in training; and (5) veterans who received some reportable service, such as job referrals. To ensure priority service to veterans, VETS expects levels of performance for services provided to veteran applicants to be higher than levels for nonveteran applicants. According to VETS' performance standards, veterans and other eligible persons[7] should be served at a rate 15 percent higher than nonveterans, Vietnam-era veterans at a rate 20 percent higher, and disabled veterans at a rate 25 percent higher; the placement rates for special disabled veterans in jobs listed by federal contractors should also be 25 percent higher than the rate for nonveterans. Thus, if a state's placement rate for nonveterans is 10 percent, the placement rate for veterans should be 11.5, or 15 percent higher than the nonveteran placement rate.

[4]Labor defines placed in employment as the hiring of a veteran referred by a state employment office, and obtaining employment as securing employment within 90 days of receiving services from the state employment offices.

[5]A special disabled veteran is (1) a veteran entitled to compensation (or who, but for the receipt of military retired pay, would be entitled to compensation) under laws administered by the Department of Veterans Affairs for a disability rated at 30 percent or more, or (2) a person who was discharged or released from active duty because of a service-connected disability.

[6]Any contractor or subcontractor with a contract of $25,000 or more with the federal government must take affirmative action to hire and promote qualified special disabled veterans, veterans of the Vietnam era, and any other veterans who served on active duty during a war or in a campaign or expedition for which a campaign badge has been authorized. Contractors and subcontractors with job openings, other than executive or top management jobs, must list themwith the nearest state employment office. Qualified Vietnam-era and special disabled veterans receive priority for referral to federal contractor job openings listed at those offices.

[7]Certain nonveterans who are dependents of veterans are also eligible for priority service, as provided for in 38 U.S.C.

In our past reviews of VETS' programs, we pointed out that using such standards means that states with poor levels of service to nonveterans are held to lower standards for service to veterans than states with better overall performance. In addition, while the first two of the five performance standards are

results-oriented, they do not require information about the quality of job placements, such as wages and benefits, or whether jobs are permanent (defined by Labor as employment expected to last longer than 150 days). The remaining three standards are activity- and volume-driven and provide states little incentive to focus services on those veterans who are marginally job-ready or are most in need of intensive employability development services.

WIA

VETS will be affected by WIA, which streamlines the delivery of workforce preparation and employment services. For well over a decade, states and localities have engaged in efforts to integrate their employment and training programs, often using a structure called a one-stop center that provides access to many employment-related services in a single location. Under WIA, states and localities are now required to use one-stop centers to provide most federally funded employment and training services. About 17 categories of programs, funded through four separate federal agencies, are required to provide services through the one-stop center system. VETS' programs, as well as the states' employment services programs funded under the Wagner-Peyser Act, are among those programs that must provide services through one-stop centers.

While WIA requires some program elements, many program policies are left to states and localities to decide. For example, states and localities can decide whether to provide services on site, through electronic linkages with partner agencies, or by referral. Because of this flexibility, VETS' current service delivery methods will be affected. For example, in establishing these one-stop centers, some states are adopting universal service delivery approaches that involve assigning a single staff member to provide services offered under multiple programs to one-stop center customers. However, because DVOP and LVER staff can provide assistance only to veterans, and because their roles in one-stop centers were not specifically addressed in WIA, it is unclear how they will function with regard to new one-stop centers.

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Managing for Results

Over the past several years, the Congress has taken steps to fundamentally change the way federal agencies go about their work, through such means as WIA and by passing other legislation intended to make agencies accountable for their performance, such as GPRA. GPRA seeks to improve the efficiency, effectiveness, and public accountability of federal agencies as well as to improve congressional decision-making. It aims to do so by promoting a focus on program results and providing the Congress with more objective information on the achievement of statutory goals than was previously available. The act outlines a series of steps in which agencies are required to identify their goals, measure performance, and report on the degree to which those goals were met. Executive branch agencies were required to submit the first of their strategic plans to the Office of Management and Budget (OMB) and the Congress in September 1997 and their first annual performance plans in the spring of 1998. Earlier this year, agencies submitted their third annual performance plans covering fiscal year 2001. Also beginning this year, each agency was required to submit a report comparing its performance for the previous fiscal year with the goals in its annual performance plan. Although not required by GPRA, Labor's component agencies, such as VETS, have prepared strategic and performance plans at the direction of the Secretary of Labor.

VETS Has Improved the Format and Structure of its Strategic and Performance Plans but Futher Improvement Is Possible

VETS' most recent strategic plan, covering fiscal years 2000 through 2005, and its fiscal year 2001 annual performance plan are both improvements over its previous plans. Compared to its previous plans, VETS' revised strategic and performance plans include an improved mission statement and set of related strategic and annual performance goals that are more clearly articulated and better aligned with its mission. However, VETS' plans could still be improved.

Previous Plans Lacked Vision and Clarity

Last year, we reported to the Committee on the then-current VETS strategic plan and fiscal year 2000 performance plan. Overall, we observed that while those plans addressed many of the technical elements required by GPRA, the plans failed to address most of the requirements in a clear,

comprehensive, and meaningful manner.[8] Instead of presenting a road map of where VETS is headed and how it expects to get there, the plans presented a muddled picture of its future direction. We stated that much more work was needed to demonstrate that the programs are being managed for results, thereby enabling the Congress to assess progress and identify areas needing improvement.

VETS' Mission Statement Has Been Improved and Goals Are Better Aligned With its Mission

VETS has worked to improve its plans. For example, VETS convened a conference of its senior national and field officials to discuss the steps it needed to take to improve its plans. Later, Labor provided VETS with outside contractor assistance to help VETS officials refine its plans, as well as to perform an assessment of the validity of and the internal controls over its performance data.

VETS' revised strategic and performance plans include a mission statement and a set of related strategic and annual performance goals that, compared to its prior plans, are presented in a more coherent fashion than in last year's plans. For example, the revised mission statement and strategic goals address VETS' key statutory responsibilities and provide more focus on helping veterans get jobs.[9] In particular, the revised mission statement better reflects the desired outcomes of achieving VETS' mission—namely, promoting the economic security of America's veterans by minimizing unemployment and underemployment. As we pointed out last year, VETS' previous mission statement did not convey the specific outcomes or results associated with accomplishing VETS' mission.

In addition, VETS' revised plans more clearly link its strategic and performance goals with its overall mission, and exclude much extraneous information found in past plans. For example, the strategic and performance goals clearly flow from VETS' mission statement. VETS' overall strategic goals are broad and it has provided additional, intermediate goals that further clarify and define these broad goals and link the intermediate goals to more discrete performance goals in both its strategic and annual performance plans. For example, under its overall strategic goal of providing effective employment and training services to

[8] *Veterans' Employment and Training Service: Strategic and Performance Plans Lack Vision and Clarity* (GAO/T-HEHS-99-177, July 29, 1999)

[9] VETS' revised mission statement is "To promote the economic security of America's veterans by minimizing unemployment and underemployment among veterans with service connected disabilities and among other targeted veteran groups, and by providing the maximum of employment and training opportunities to all veterans."

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minimize unemployment and underemployment among disabled veterans, VETS' defines increasingly more discrete goals, including one for a fiscal year 2001 target of having at least 36 percent of registered disabled veterans enter employment through assistance provided by VETS-funded staff. Table 1 shows, for selected goals, how VETS links its broad goals with more discrete goals.

Table 1: Selected Goals in VETS' Strategic and Annual Performance Plans

Selected goals			Corresponding annual performance goals for fiscal year 2001
Strategic goal	**Intermediate goal**	**Targeted intermediate goal**	
Provide effective Labor employment and training services to minimize unemployment and underemployment among disabled veterans.	Achieve an entered- employment rate among disabled veterans registered for public labor exchange services significantly greater than that for nonveterans registered for public labor exchange core services.	By 2005, increase the 3-year rolling average of the entered-employment rate for registered disabled veterans to 44% greater than that for nonveterans registered for public labor exchange services.	Increase the 3-year rolling average of the entered employment rate for registered disabled veterans to 40% greater than that for nonveterans registered for public labor exchange services.
	Achieve a significant entered-employment rate among disabled veterans registered for public labor exchange services.	By 2005, at least 38% of registered disabled veterans will enter employment each year through assistance provided by VETS-funded staff.	At least 36% of registered disabled veterans will enter employment through assistance provided by the VETS-funded staff.
Promote maximum employment opportunities for all veterans, with special attention given to meeting the needs of targeted groups, which includes veterans who have significant barriers to employment, veterans who served on active duty in the armed forces during a war or in a campaign or expedition for which a campaign badge has been authorized, and recently separated veterans.	A significant number of all eligible veterans, as well as of targeted group veterans, requesting public labor exchange core services will receive successful and satisfactory job placement assistance.	By 2005, at least 30% of those veterans registering for public labor exchange services will enter employment each year through staff assisted services provided by the Wagner-Peyser funded systems.	At least 27% of those veterans and other eligible persons registering for public labor exchange services will enter employment through assistance provided by the Wagner-Peyser funded system (including DVOP and LVER).
		By 2005, increase the 3-year rolling average of entered-employment rate for registered veterans to 33% greater than for nonveterans registered for public labor exchange services.	Increase the 3-year rolling average of entered-employment rate for registered veterans to 28% greater than that for nonveterans (age 22 and over) registered for public labor exchange services.

Another significant improvement in VETS' strategic and annual performance plans is the addition of absolute goals with respect to the proportion of veterans registered with state employment security agencies who are expected to enter employment. One such goal developed by VETS is that by 2005, at least 30 percent of registered veterans and other eligible persons will enter employment each year. This is an improvement because, in the past, VETS has traditionally negotiated only relative

performance goals with state employment service agencies. That is, to ensure priority service to veterans, VETS has negotiated standards with states that require veteran applicants to be served at a rate exceeding the service to nonveteran applicants.

In our past reviews of VETS' programs, we have pointed out that the use of relative standards results in states with poor levels of service to nonveterans being held to lower standards for service to veterans than states with better overall performance. For example, in program year 1998, Rhode Island reported an entered-employment rate of 3.06 percent for nonveterans. Because VETS required the state to ensure that it achieve an entered-employment rate for veterans that was 15 percent higher than that for nonveterans, the state's 1998 performance standard was thus 3.52 percent of registered veterans entering employment—obviously a low performance standard. On the other hand, Wisconsin reported an entered-employment rate for nonveterans of 43.76 percent. Based on this figure, the corresponding performance standard for veterans would be 50.32 percent—much higher than Rhode Island's standard. While VETS negotiates individual goals with states in order to take into account local economic conditions and other considerations, such conditions do not always differ significantly among the states. For example, during December 1998, the rate of unemployment in Rhode Island was 4.5 percent, compared with 3.4 percent in Wisconsin.

Plans' Strategies Are More Clearly Linked With Goals but Are Not Sufficiently Explained

Both VETS' current strategic plan and 2001 annual performance plan have also been improved by more explicitly linking strategies to goals. In its prior plans, we noted that VETS often did not provide clearly stated strategies for its goals and, in many cases, appeared to confuse goals with strategies—that is, it confused where it wanted to go with how it would get there.

While VETS has made important improvements to its plans, it still needs to provide additional details concerning many of its strategies. Without additional clarification, it is difficult to assess how useful the listed strategies will be toward helping VETS achieve its goals. Additional details are also required to serve as a basis for holding VETS accountable for making progress toward achieving its goals. For example, VETS strategies include conducting three national marketing campaigns. One campaign, according to VETS, will be conducted in conjunction with VA and is intended to "market the advantages that hiring disabled veterans can bring to employers;" another is aimed at "marketing" veterans who are on public assistance to employers; yet another is aimed at specific industries experiencing labor shortages. However, VETS has not explained why there

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is a need for such an effort, how extensive these campaigns will be, or how it intends to fund such efforts.

VETS Is Still Not Adequately Planning How Best to Achieve Desired Outcomes

Despite longstanding and widespread criticism, VETS is still not adequately planning for achieving the results it seeks—that is, minimizing unemployment and underemployment among veterans. VETS has not yet established clear priorities, such as determining which veterans it should be targeting for assistance. In large part, VETS appears to be developing a results-oriented approach based on the way it has traditionally managed its programs, rather than reexamining structures and processes that are rooted in the past. Such a reexamination is critical because the workforce development system in which VETS' programs operate is changing as a result of the establishment of one-stop centers nationwide.

VETS Has Not Established Clear Priorities to Help Guide Programs

To date, VETS has not clearly established a strategic direction by establishing clear priorities, such as exactly which veterans it intends to help and why. Instead, it has inconsistently identified various "targeted" groups of veterans it plans to help. While its strategic planning documents identify some targeted groups, its strategic goals are targeted toward others. For example, while VETS notes in its strategic plan that women, minority, and 20 to 24-year-old veterans have higher-than-average rates of unemployment and that it intends to target these veterans, none of its strategic or performance goals specifically address such veterans. Moreover, the agreements it negotiates with states target yet other groups of veterans, such as veterans of the Vietnam era. Overall, VETS notes in various documents that it is targeting

- all veterans;
- those veterans with higher-than-average rates of unemployment, such as women, minority, and young veterans;
- those veterans who may need special assistance, such as disabled veterans;
- veterans who are unemployed for particular reasons, such as being dislocated or lacking necessary skills; or
- those veterans that VETS has traditionally required states to focus on, including Vietnam-era veterans.

As a result of appearing to target some and all veterans at once, VETS does not communicate a consistent or coherent message in terms of who it actually it intends to help.

VETS is also not adequately planning for how it can best serve veterans by understanding what problems veterans face in finding jobs. Obtaining such an understanding is important to determine the type of assistance that its programs should provide to veterans. In addition, VETS planning has been encumbered because it is has not adequately identified and analyzed the characteristics of unemployed veterans overall in comparison to those who typically use its programs. If VETS hopes to use its programs to reduce reported unemployment rates among targeted groups of veterans, for example, then it needs to determine whether, and to what extent, such veterans are aware of and using its programs.

It is also unclear whether VETS adequately ensures that its strategic and performance plans do not provide state employment service agencies with disincentives to help those veterans who need the most help. VETS is planning on requiring states to meet absolute standards in the future; for example, in 2001, VETS is seeking to ensure that nationally, at least 30 percent of veterans and other eligible persons who register for services enter employment. This is an improvement over its traditional relative performance standards. However, absolute standards can also produce unintended consequences if not carefully designed. If VETS intends to target a certain group of disadvantaged veterans for assistance but does not establish performance standards for them, states may still be faced with a disincentive to helping those veterans if they require more time and effort to assist. That is, states may have an incentive to help those veterans who need the least help in order to obtain specified goals, rather than serve veterans who may need more help.

VETS Has Not Developed Strategies to Address Significant Challenges Facing the Agency

Despite the significant challenges it faces, such as the implementation of one-stop centers established by WIA, VETS has not developed adequate plans or strategies to address how its programs can best serve veterans in such centers. For over a decade, states and localities have engaged in efforts to integrate their employment and training programs through means similar to one-stop centers. In fiscal year 1994, Labor began awarding one-stop planning and implementation grants to help states integrate employment and training services for Labor-funded programs. Rather than use the opportunity to understand what problems states and localities have had in integrating VETS' programs into these predecessors to one-stop centers, VETS' strategy to address this challenge has consisted primarily of waiting for states to decide how they will do the integrating.

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In fact, VETS fiscal year 2001 performance plan states that "there are some areas of WIA implementation that will require considerable thought and coordination, but action cannot be taken until states submit their implementation plans." By not more fully addressing this challenge, VETS appears to be taking a reactive approach rather than a proactive approach wherein it could help shape how its programs will help veterans in the future.

Recently, state officials have testified before congressional hearings that more flexibility in VETS' programs would help them improve services to veterans. For example, a representative of the Interstate Conference of Employment Security Agencies noted that services to veterans would be improved if the role of the DVOPs and LVERs shifted from searching for and notifying veterans about jobs, which many veterans can now do for themselves in the self-service environment and which computers can do more quickly without human intervention, to helping veterans present themselves in the most attractive way possible. While the Assistant Secretary for VETS recently testified that the duties of DVOP and LVER staff need to be revisited in light of technological and other changes, VETS' plans do not include any specific legislative or programmatic strategies to do so.

In addition, VETS' plans do not include any strategies to address other problems it anticipates with regard to one-stop centers. For example, VETS is anticipating that the expansion of one-stop service delivery locations will make providing services at more service delivery points difficult. This challenge is exacerbated because, according to VETS, turnover among DVOP and LVER staff is consistently high and is creating management planning challenges to maintaining a trained workforce to assist veterans. However, VETS has not developed any strategies for dealing with the high turnover of staff other than providing additional training to new DVOPs and LVERS.

Data Quality Concerns Make Judging VETS' Performance Difficult

Our previous governmentwide work has shown that federal agencies need reliable data during their planning efforts to set realistic goals and later, as programs are being implemented, to gauge their progress toward achieving those goals. However, our work has found serious shortcomings in federal agencies' ability to generate reliable and timely data to measure their progress in achieving goals and in their analytic capacity to use those data.[10] VETS faces such shortcomings and will need to address this critical challenge. A significant challenge is that one of VETS' critical reporting systems—known as the ETA 9002 system—appears to be inadequate to judge VETS' performance at the national level because of measurement inconsistencies among states and the impact that states' policy choices have on reported data. Moreover, these data limitations impede VETS' ability to compare program performance from one year to another—that is, VETS cannot be certain if the measures are improving and that its performance is in fact improving over time. While ETA is planning to replace its 9002 system, no firm schedule has yet been established for when such a new system will be in place.

Significant Interstate Variation in ETA 9002 System Limits Usefulness of Data as Performance Measure

VETS has traditionally relied on the ETA 9002 system, which collects data on persons registering with state employment service agencies and tracks the services provided to registrants as well as information on registrants' employment outcomes for performance reporting purposes. VETS uses these data as the basis for measuring its performance toward several critical strategic and performance goals. In particular, these data are used to indicate how many veterans who received employment-related services got jobs, which is a critical dimension of performance for VETS' largest programs—the DVOP and LVER programs.

From a review of reported data at the national level, however, the variance in state-reported results raises concerns. For example, in program year 1998, state-reported data on entered-employment rates for veterans—that is, the percentage of veterans who registered with the employment service and eventually found jobs—varied dramatically, from 68.9 percent in Tennessee to 3.7 percent in California. The average rate across all states was 26.7 percent. Substantial variation has occurred for years and indicates the need to determine whether the data reflect real differences in performance or whether the data are unusable for performance measurement purposes.

[10] *Managing for Results: Challenges Agencies Face in Producing Credible Performance Information* (GAO/GGD-00-52, Feb. 4, 2000).

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The case of California illustrates some of the reasons why the reported ETA 9002 data varies. Over the last 3 years, the reported entered-employment rate has dropped from over 18 percent to less than 4 percent. In our discussions, California officials noted that they have changed the source of the data used to track employment outcomes for veterans and others who register with the employment service. The state is now using employer-reported wage data to obtain information on the employment outcomes of individuals. However, the state cannot obtain and submit these data in time to be included in the ETA 9002 data system. As a result, the data do not reflect actual results with regard to California's program, and the state's reported entered-employment rates are likely significantly understated and do not reflect the actual level of performance.

State Policy Choices Also Affect Usefulness of ETA 9002 Data as Performance Measure

Other changes currently taking place will also affect the ETA 9002 data that VETS uses to measure its progress. For example, states are taking different approaches to providing services to customers. In some cases, customers who use resource rooms, the Internet, or other self-help tools are not required to register; only customers who require assistance from employment office staff must do so. Differences among states in registration policies will affect national data reported to VETS because not everyone receiving assistance is being counted. These different policies will affect national data reported to VETS. Table 2 illustrates how such differences can affect entered-employment rates, the rates VETS uses to measure its performance. In this example, while 100 veterans enter the employment service for assistance and ultimately 40 get jobs, in one case the placement rate is 40 percent and in the other is 50 percent–a 10-point difference that results from counting all job-seekers in one case, and only those requiring staff assistance in the other.

Table 2: How Registration Policies Affect Reported Entered-Employment Rates

All customers required to register		Self-service customers do not register	
	Customers counted		Customers counted
20 Customers use self-help services	20	20 Customers use self-help services	–
80 Customers require staff assistance	80	80 Customers require staff assistance	80
40 Customers get jobs	40	40 Customers get jobs	40
Entered-employment rate	40/100 = 40 percent	Entered-employment rate	40/80 = 50 percent

New ETA 9002 System and Performance Measures Are Being Considered

According to ETA officials, a new system to replace the ETA 9002 system is being considered but no replacement schedule has been established. ETA officials hope the new system will more accurately reflect the performance of employment service offices. In addition, VETS is working on developing additional performance measures which might be more useful for judging states' and local offices' performance in the future. However, it is unclear whether the effort will resolve inconsistencies in measurement among states and yield useful information at the national level. We will be pursuing these matters in our future work for the Committee.

Mr. Chairman, this concludes my prepared statement. I will be happy to answer any questions that you or other Members of the Subcommittee may have.

GAO Contacts and Acknowledgments

For future contacts regarding this testimony, please contact Sigurd R. Nilsen at (202) 512-7003. Individuals making key contributions to this testimony included Jeff Appel, Dennis Gehley, Peter Minarik, and Raun Lazier.

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